

To: Business Editor

【For Immediate Release】



中裕燃氣控股有限公司
ZHONGYU GAS HOLDINGS LIMITED

(STOCK CODE: 3633.HK)

Announces Its Interim Results for the Six Months Ended 30 June 2013
Turnover Increased by 16.8% to HK\$1.44 Billion
Profit Attributable to Owners of the Company Significantly Increased by 21.4%
to HK\$97.15 Million

Continuous Sales Growth Driven by Increased Gas Supply
Strive to Improve Downstream Business Allocation to Propel Steady Long-term Development

<u>Financial Highlights</u>	For the Six Months Ended 30 June (HK\$ '000)		
	2013	2012	Changes (%)
Turnover	1,444,030	1,236,654	+16.8%
Gross profit (Gross profit margin)	317,070 (22.0%)	267,530 (21.6%)	+18.5% +0.4 ppt
EBITDA	245,981	208,370	+18.1%
Profit attributable to owners of the Company	97,155	80,011	+21.4%
Earnings per share			
Basic	HK 3.85cents	HK 3.24cents	+18.8%
Diluted	HK 3.85cents	HK 3.21cents	+19.9%

(Hong Kong, 15 August 2013) – **Zhongyu Gas Holdings Limited** (“Zhongyu Gas” or the “Company”, together with its subsidiaries, the “Group”) (Stock Code:3633.HK), a leading natural gas operator in China, today announced its interim results for six months ended 30 June 2013 (the “Period”).

During the Period, the Group’s turnover increased by 16.8% to approximately HK\$1,444,030,000 from approximately HK\$1,236,654,000 last year. The outstanding growth in turnover was mainly attributable to the robust growth in sales of piped gas to industrial and residential customers as well as connection revenue from gas pipeline construction of residential customers.

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During the Period, the Group's gross profit increased by 18.5% to HK\$317,070,000 from approximately HK\$267,530,000 in the corresponding period last year. The overall gross profit margin was approximately 22.0% (1H2012: 21.6%). During the Period, the slight increase in overall gross profit margin resulted from the slight increase in proportion of turnover derived from connection revenue from gas pipeline construction, which in general has a relatively high profit margin. The Group's total turnover attributable to sales of piped gas increased to approximately 13.7% for the period (1H2012: 13.4%).

During the Period, the Group's EBITDA increased by 18.1% to HK\$245,981,000 from approximately HK\$208,370,000 in the corresponding period last year. Profit attributable to owners of the Company soared by approximately 21.4% to approximately HK\$97,155,000 from approximately HK\$80,011,000 last year.

Business Overview

<u>Sales Breakdown</u>	For the Six Months Ended 30 June (HK\$ '000)				
	Turnover			% to Total Sales	
	2013	2012	Changes	2013	2012
Sales of piped gas	1,129,968	967,018	+16.9%	78.2%	78.2%
Gas pipeline construction	197,553	165,735	+19.2%	13.7%	13.4%
Sales of natural gas from compressed natural gas ("CNG") filling station	105,044	81,379	+29.1%	7.3%	6.6%
Sales of liquefied petroleum gas ("LPG")	8,109	20,873	-61.2%	0.6%	1.7%
Sales of stoves and related equipment	3,356	1,649	+103.5%	0.2%	0.1%
Total	1,444,030	1,236,654	+16.8%	100%	100%

Downstream Natural Gas Distribution

As at 30 June 2013, the Group has secured 18 gas projects. Among which, 12 are in Henan Province, 3 are in Shandong Province, 2 are in Jiangsu Province and 1 is in Fujian Province. The areas in which the Group's gas projects operate currently have a total connectable urban population of approximately 4,528,000 (1H2012: 4,308,000). It is estimated that there are an aggregate of approximately 1,294,000 connectable residential households (1H2012: 1,231,000).

Sales of Piped Gas

Sales of piped gas during the Period amounted to approximately HK\$1,129,968,000, representing an increase of approximately 16.9% over the corresponding period last year. The rapid growth in sales of piped gas was mainly attributable to the increase in gas sales volume by 18.4% to 397,407,000 m³ from 335,695,000 m³ over the corresponding period last year. Nearly 97% of total sales of piped gas for the Period were derived from provision of natural gas.

Gas Pipeline Construction

Connection revenue from gas pipeline construction during the Period amounted to approximately HK\$197,553,000, representing an increase of approximately 19.2% over the corresponding period last year. The increase in connection revenue from gas pipeline construction was mainly attributable to the increase in construction work of gas pipeline connection completed for residential households to 50,333 from 41,017.

The connection revenue from gas pipeline construction contributed approximately 13.7% of the total turnover of the Group, which continued to be one of major sources of turnover for the Group. As at 30 June 2013, the Group's penetration rates of residential pipeline connection reached 55.7%. (1H2012: 46.6 %) (Represented by the percentage of accumulated number of the Group's residential households to the estimated aggregate number of connectable residential households in operating regions).

Sales of Natural Gas from CNG Filling Stations

Revenue from operating the CNG filling stations for the Period amounted to approximately HK\$105,044,000, representing an increase of approximately 29.1% over the corresponding period last year. The increase was mainly due to an increase in the number of CNG filling stations from nine to fourteen stations. During the Period, the natural gas usage per station increased by 88.7% to approximately 1,908,000 m³ from approximately 1,011,000 m³ for the corresponding period last year.

During the Period, the turnover derived from operating the CNG filling station accounted for approximately 7.3% of the total turnover of the Group. 15 new CNG filling stations are under construction in China by the Group, 12 of which will be put into operation at the end of 2013, while the rest new CNG filling stations are expected to commence operation in the first half year of 2014.

Upstream Gas Business

The Group secured 8 coal blocks, situated at Jiaozuo, Zhengzhou, Pingdingshan (including Yuzhou and Ruzhou), Hebi, Yima, Yongxia, Henan Province, the PRC, to explore, exploit, develop and produce CBM. The Group will continue to update investors on the latest exploration progress.

Material Events during the Period

1. Donghai County Project

On 4 June 2013, Linyi Zhongyu Energy Company Limited ("Linyi Zhongyu Energy"), a non-wholly-owned subsidiary of the Company, established a company, namely 東海縣中裕燃氣有限公司 (Donghai County Zhongyu Gas Company Limited) ("Donghai County Zhongyu") with two individual parties in Donghai County, Lianyungang City, Jiangsu Province, the PRC.

Linyi Zhongyu Energy owns 67% equity of Donghai County Zhongyu. The registered capital of Donghai County Zhongyu is RMB10,000,000 and is contributed as to RMB6,700,000 by Linyi Zhongyu Energy. Upon establishment, Donghai County Zhongyu becomes an indirect non-wholly-owned subsidiary of the Company and is engaged principally in the construction and operation of piped natural gas projects on exclusive basis for 30 years in Shilianghe Town of Donghai County, Lianyungang City, Jiangsu Province, the PRC since 11 April 2013. Shilianghe Town is an industrial zone.

2. Disposal of Part of a Liquefied Petroleum Gas Business

During the period, the Group disposed part of a liquefied petroleum gas (“LPG”) business in Sanmenxia City and Jiaozuo City in order to focus the Group’s resources in other businesses. As a result, the sales of LPG has decreased greatly by 61.2%.

Prospects

The Group is confident in its future prospects since the steady growth of the natural gas market in China is expected to be maintained due to the favorable domestic business environment and the growing demand for piped gas consumption arising from the progressing urbanization in China. In the future, the Group will expand its downstream natural gas distribution with a focus on high margin commercial and industrial users and gas refueling stations with the goal of increasing its penetration rate in the nine cities it is operating in.

The main pipeline of the Second West-East Gas Pipeline was completed and gas supply has commenced in July 2011. As a result, piped gas supply for the Group’s projects located in various cities has increased significantly, enabling the Group to connect with more end users, increasing the Group’s turnover and in turn, enhancing its earning base.

The connection and supply of gas to Yanshi City and Xinmi City from the sub-pipeline of the Second West-East Gas Pipeline was also completed and commenced supply in October 2012 and March 2013 respectively, resulting in the sales of piped gas to Yanshi City and Xinmi City has significantly increased. Most of the gas projects of the Group except the gas projects in Yongcheng City, Nanjing City and Shaowu City, are connected and supplied through the First and Second West-East Gas Pipeline.

The National Development and Reform Commission of the PRC has adjusted the non-residential natural gas price of gate stations since 10 July 2013. The national average gate station price has increased by 15% to RMB1.95 per cubic meter from RMB1.69 per cubic meter. The residential natural gas price of gate stations has not yet adjusted.

Looking ahead, leverage on the Group’s healthy financial position, together with the constant cash inflow generated from downstream projects, we will continuously seek for suitable investment opportunities and

strive to enhance our operation efficiency by cooperating with promising peers in the industry. Under the support of the seasoned management together with sound business foundation, the Group will sustain its stable development and thus increase its market shares continuously. The Group is also well positioned to tackle the challenges ahead in order to maximize returns to shareholders.

- End -

About Zhongyu Gas Holdings Limited (Stock Code: 3633)

Zhongyu Gas Holdings Limited (“Zhongyu Gas”) (Stock Code: 3633.HK), is a leading natural gas operator in China. Currently Zhongyu Gas has 18 exclusive downstream projects, 12 in Henan province, 3 in Shandong province, 2 in Jiangsu province and 1 in Fujian province. Leveraging on its broad client base and seasoned management team, the Group will strive to develop its natural gas sales business in order to capture the ample growth brought by the surging demand of clean energy in the domestic market, and promote the Group’s long-term steady development.

Company Website: <http://www.zygas.com.cn>

Issued by Porda Havas International Finance Communications Group for and on behalf of **Zhongyu Gas Holdings Limited** For further information, please contact:

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